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FISCAL IMPACT STATEMENT

LS 6392

BILL NUMBER: SB 181

NOTE PREPARED: Dec 22, 2002

BILL AMENDED:

SUBJECT: State Police Pension COLA.

FIRST AUTHOR: Sen. Craycraft

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides for a 1% cost of living adjustment (COLA) for retirees of the State Police 1987 Benefit System. It provides for a COLA equal to the greater of: (1) the supplemental benefit; or (2) 1% of the retiree's monthly pension benefit; for retirees of the State Police Pre-1987 Benefit System. The bill revises the calculation of the supplemental benefit paid to retirees of the State Police Pre-1987 Benefit System.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

The table below shows the estimated fiscal impact of this proposal:

	Pension Trust	Supplemental Benefits
Increase (Decrease) in Actuarial Liability	\$850,000	\$7,100,000
Increase in Annual Funding	\$65,000	(see below)
Increase in Annual Funding as a % of Payroll	0.1%	(see below)

Since the supplemental Benefits are paid on a "pay-as-yo-go" basis, the following table provides a rough estimate of the increase in supplemental benefits that would be payable over the next five years:

Plan Year	Change in Expected Benefit Payouts
2003-2004	\$181,000
2004-2005	\$220,600
2005-2006	\$287,500
2006-2007	\$372,100
2007-2008	\$472,200

The benefit payouts will continue past five years. The funds affected are the state General Fund and the Motor Vehicle Highway Account, both of which support equally the State Police Benefit System.

Background Information:

Section 1

This part of the bill increases benefits paid to current retired members of the State Police 1987 Benefit System. The increase is effective July 1, 2003, and is equal to 1% of the participant's benefit, but not greater than 1% of the maximum basic monthly benefit payable to a retired trooper (\$1,900 effective December 8, 2002).

Sections 2 and 3

These sections change the way the supplemental benefit is calculated for members of the State Police Pre-1987 Benefit System. This change would calculate the supplemental benefit by applying the appropriate percentage (between 50% and 100%) to the difference between the current 20-year benefit and the 20-year benefit at the later of July 1, 1972, or the date of retirement. The benefit currently is calculated by applying the same percentage to the difference between the current 20-year benefit and the participant's actual monthly benefit.

Section 4

This section grants an increase of 1% of total benefit (monthly plus any supplemental benefits) to retired or disabled members of the State Police Pre-1987 Benefit System. The increase will be effective July 1, 2003. The increase is a guaranteed minimum that will be effective for retired members who are not eligible for supplemental benefits or are eligible for supplemental benefits and receive an increase in supplemental benefits less than 1% of actual benefit.

It has been assumed that the increases Section 1 would be payable from the Pension Trust and the increases in Sections 2, 3, and 4 would be payable as supplemental benefits.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police.

Local Agencies Affected:

Information Sources: Doug Todd and Doug Fiddler of McCready & Keane, Inc., actuaries for the State Police, 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Actuarial Liability The actuarial liability of a retirement system at any time is the excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Funding A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Pay-As-You-Go Method sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.